GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:1054
ANSWERED ON:23.10.2008
IMPACT OF HIKE IN FUEL PRICES ON AVIATION INDUSTRY
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Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether the aviation companies in the country have opposed the increase in the prices of oils being used as fuel for the aircraft;

(b) if so, the steps being taken by the Government in this regard;

(c) the extent of financial burden being borne by the aviation companies of the Govenrment namely the Indian Airlines and the Air India as a result of increasing fuel prices;

(d) the steps taken by the Government to compensate for the said financial burden;

(e) whether the aviation companies in India providing services to the customers at cheaper rates are in a condition of going bankrupt due to increase in fuel prices; and

(f) if so, the amount of loss likely to be suffered by these companies as a whole?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL)

(a):- Airlines has been taking up the matter of high fuel prices in India compared to the International markets in various forums.

(b) & (d):- State Governments have been requested to consider moderation of the rate of sales tax imposed on Aviation Turbine Fuel (ATF) and align it with the `Declared Goods` rate. Empowered Committee of State Finance Ministers was also requested to consider moderation of the rate of sales tax imposed on ATF and reduce it to the `Declared Goods` rate. The matter of ATF was also discussed in the national conference on Civil Aviation held on 18.01.2008 at New Delhi with the representatives of all State Governments and Union Territories. Based on the deliberations held in the Conference, a group of officers has been constituted with a view to present the ATF taxation issues to the Empowered Committee of State Finance Ministers as well as the Ministry of Finance.

Governments of Andhra Pradesh has since reduced the sales tax on ATF to 4%. Government of Rajasthan has also reduced the sales tax on ATF to 4% in certain cases. Government of Maharashtra has also reduced Sales tax on ATF from 25% to 4% for flights from airports other than Pune and Mumbai.

A Committee headed by Cabinet Secretariat has also been constituted to examine various issues relating to the current financial crisis being faced by domestic airlines. The first meeting of the Committee was held on 14.08.2008.

(c):- The additional financial burden being borne by National Aviation Company of India Limited erstwhile Air India and Indian Airlines due to increase in fuel prices from April to October 2008 would be around Rs. 2310 crores.

(e) & (f):- All the domestic airlines are making losses due to increase in fuel prices. Industry sources have placed the combined losses in 2006-07 at Rs. 2000 crore and Rs. 4000 crore in 2007-08. The industry is also heading towards losses in 2008-09Quantum cannot be assesed at this time of the year.